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Chairman: Mr. SENGWE (Zimbabwe)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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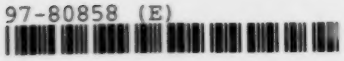

The meeting was called to order at 3.10 p.m.

AGENDA ITEM 141: REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES (continued) (A/50/945, A/50/1004, A/50/1005, A/51/432, A/51/530 and Corr. 1, A/51/801, A/51/802, A/51/804 and A/51/810)

1. Mr. PASCHKE (Under-Secretary-General for Internal Oversight Services), introducing the reports contained in documents A/51/801, 802, 804 and 810, said that the report of the Secretary-General on enhancing the internal oversight mechanisms in operational funds and programmes (A/51/801) was submitted in response to General Assembly resolution 48/218 B. He wished to stress that although the report had been prepared by the Office of Internal Oversight Services, it was a report of the Secretary-General. Furthermore, the preparation of the report had been delayed because of the need for consultations with executive bodies of the funds and programmes.

2. From the outset, the Office had actively involved the funds and programmes in all major steps of the drafting process. Data on existing oversight mechanisms had been gathered right from the source and verified at various stages with the entities concerned. In January 1996, the Secretary-General had sent the draft report to the executive heads of the funds and programmes and asked them to consult with their governing bodies, as appropriate. The Office had received responses from all the executive heads conveying their own views and those expressed by their governing bodies. The feedback had basically confirmed the approach and recommendations of the draft report. Details on the consultation process were included in annex IV to the report.

3. The report revealed that there were varying degrees of internal oversight in the individual agencies, and that there were a number of lacunae which needed to be addressed. One major lacuna was the lack of a genuine investigations function in most of the funds and programmes. The report advocated that the existing oversight functions and procedures within the agencies should be strengthened and brought up to the level established by General Assembly resolution 48/218 B and that lacunae should be addressed by the agencies, through the creation of an oversight function or with assistance from the Office, in which case a mechanism for financing the additional workload would have to be found. The report recommended a three-pronged approach. First, effective horizontal lines of communication between the existing internal oversight functions should be established in every agency and vertical lines of reporting to the executive management level should be clearly defined and shortened. Second, the existing internal oversight units, as well as the management of the funds and programmes, should pay more attention to the immediate follow-up and timely implementation of recommendations. Third, a direct reporting line should be established between the internal oversight units and the respective governing bodies, through the executive head. The report went on to suggest that the Office, in the framework of its annual report, should provide the General Assembly with information on the status of oversight in the operational funds and programmes.

4. That approach followed closely the blueprint in General Assembly resolution 48/218 B; no new elements had been added, and some elements which had not been deemed necessary in the context of the funds and programmes had been omitted. The ultimate goal was to create a common framework for oversight functions throughout the United Nations; he believed that that approach, once endorsed by the General Assembly, would provide reassurance to Member States that the resources which they provided to the funds and programmes were being utilized efficiently, and that the outputs were being delivered in a way that maximized available resources. A strengthened internal oversight mechanism would also be a better tool for management in fulfilling its internal oversight responsibilities.

5. The review of outsourcing practices at the United Nations (A/51/804, annex) had been undertaken at the request of the General Assembly in resolution 50/214. The review covered operations at Headquarters and field offices, as well as selected peacekeeping missions; the Office had directly audited more than 25 contracts and agreements valued at over $100 million. The Office believed that outsourcing, if managed properly, could be a viable means for achieving efficiency, effectiveness and cost reduction, in addition to providing the expertise the United Nations required to supplement its personnel; outsourcing could also allow programme managers to concentrate on substantive activities and better perform the Organization's core functions. The major findings and recommendations were highlighted in the summary at the beginning of the report: there was a need to develop organization-wide policy guidelines for the effective management of outsourcing; few programme managers were able to identify the extent of goals achieved; successful outsourcing of services depended upon proficient management of the procurement process; a number of cases of non-compliance with procurement procedures had been found; and it was recommended that a focal point should be established within the Department of Administration and Management to oversee the outsourcing process. The Office concluded that outsourcing was one possible strategy for achieving efficiency and effectiveness and that the Organization should give serious consideration to expanding the use of outsourcing where justified by a cost-benefit analysis. Even if those recommendations were implemented, however, the proof of the success of outsourcing would be obtained only through vigilant monitoring and evaluation of each outsourcing exercise.

6. The audit of catering operations at Headquarters (A/51/802, annex) had been carried out at the request of the General Assembly in resolution 50/214. The Office had reviewed the contractual arrangement and United Nations monitoring of contractor performance; it had found that the goal of being financially self-supporting, established by the General Assembly in resolution 39/67, had not been met because the United Nations continued to bear considerable costs such as providing and maintaining the facilities; however, it had been unable to determine those costs because the relevant data were not available. The contractor, with limited capital investment, had made a profit of over $12 million in the period 1986-1996, while the United Nations continued to subsidize the catering operation. The Office felt that the United Nations could have secured a fair share of the profit or ensured reimbursement of its costs had such terms had been included in the contract. Moreover, a comparative review of catering operations at United Nations Headquarters, the United Nations

Office at Geneva and the International Trade Centre disclosed disparate approaches and little coordination.

7. The Office therefore recommended that the objectives of United Nations catering operations should be clearly defined; that all costs incurred by the United Nations in providing catering facilities and equipment should be identified; and that a reasonable and equitable profit-sharing arrangement between the United Nations and the contractor should be implemented with a view to recovering such costs from the contractor. The Office further recommended that in addition to consumer price indicators, a clause on quality assurance indicators should be included in the contract. The Office was pleased to note that its recommendations had been reflected in the new request for proposal or would be taken into consideration in developing the new contract for the United Nations Headquarters catering operation.

8. The report on the review of the United Nations Environment Programme (UNEP) and the administrative practices of its secretariat, including the United Nations Office in Nairobi (A/51/810, annex), raised a variety of issues pertaining to programme management and administrative practices at UNEP and described the main problems encountered by the newly established United Nations Office at Nairobi (UNON). The main conclusions were presented in the summary at the beginning of the report and the detailed findings appeared under the respective headings in chapters II to VII of the report. It seemed that the basic problem at UNEP was lack of clarity as to the role of the organization and its programmes and its organizational and managerial structure and administrative practices. That situation had led to the downsizing of programmes and had affected staff morale. The lack of clarity in responsibility had had adverse consequences for the overall operating environment; the findings suggested that the UNEP secretariat was not functioning in an environment that facilitated efficiency and effectiveness, and that the internal mechanisms for oversight, administration and collective guidance were unsatisfactory.

9. The conclusion of the review of UNON was that UNON did not have the capacity to discharge its responsibilities as a provider of administrative services to the United Nations organizations in Nairobi. It was therefore imperative for the Department of Administration and Management to give the matter its immediate attention.

10. The implementation of the recommendations presented in chapter VII of the report would require special efforts, cooperation and candid introspection by staff and management alike.

11. Mr. FARID (Saudi Arabia) said that one of the primary objectives of financial management was the conservation and effective utilization of cash. A comprehensive system of internal control that covered cash, fixed assets, inventory, liabilities and receivables was vital for the prevention of error and fraud. His delegation welcomed the drafting of internal control standards by the Office of Internal Oversight Services, whose primary function should be the detection of fraud and mismanagement in the United Nations. He proposed a number of general guidelines on internal control of cash for inclusion in the manual: all receipts of cash through the mail must be recorded before they were transferred to the cashier; all receipts should be deposited intact daily; the

functions of receiving and disbursing cash should be kept completely separate; and the actual handling of cash should be entirely separate from record-keeping.

12. His delegation agreed with the Advisory Committee on Administrative and Budgetary Questions that poor inventory management prevented the United Nations and its funds and programmes from determining what was in stock. The Office of Internal Oversight Services must ensure that adequate inventory and equipment records were kept, including particulars of the equipment, date of acquisition, organization, estimated life and rate of depreciation, annual depreciation and cumulative depreciation to date, records of change in depreciation, information on appraisal, estimated scrap value and record of repair costs.

13. His delegation welcomed the efforts to develop an assets management system, the Integrated Management Information System (IMIS) and the common system as a means of enhancing the effectiveness of the internal control system and the audit function of the Office of Internal Oversight Services. It also welcomed the Office's reports on the audit of procurement handled by the Contracts and Procurement Service of the Department for Development Support and Management Services, on catering operations at Headquarters and on the review of the management structure in the civilian staff component of the United Nations Peace Forces. His delegation hoped that the Office would continue its work and would prepare additional reports on income-generating units of the United Nations, particularly those which had incurred substantial losses.

14. Mr. REPASCH (United States of America) said that his delegation welcomed the recent series of reports by the Office of Internal Oversight Services. Overall, they showed that the Office was performing the valuable oversight function for which it had been established and was providing independent and objective information to the General Assembly on mandated programmes and activities. His delegation continued to support the authority of the Office to carry out audits, inspections and investigations of United Nations activities wherever they led and would play an active role in making sure that the Office's recommendations were implemented and that the Office received the resources it needed to carry out its mandate fully.

15. The report on enhancing the internal oversight mechanisms in operational funds and programmes (A/51/801) was an excellent framework for strengthening internal oversight mechanisms and fine-tuning arrangements for accomplishing that goal; his delegation supported all the recommendations and hoped that the organizations concerned would follow through in implementing them.

16. The report on the audit of Headquarters catering operations (A/51/802, annex) indicated some very basic problems in the management of the catering services; his delegation was particularly concerned about the findings with regard to the catering contract, and wondered why the Secretariat had not included a profit-sharing arrangement, what the rationale was for the different approaches to subsidized catering taken in Geneva and New York, and what was being done to disclose all the costs involved in providing catering services at Headquarters.

17. In the report on the review of outsourcing practices at the United Nations (A/51/804, annex), the Office concluded that the Organization was not in a

position to reap the potential benefits of outsourcing. His delegation was particularly concerned about the procurement irregularities in a number of areas, which must be corrected before the United Nations could effectively manage outsourcing contracts.

18. The report on the review of UNEP and the administrative practices of its secretariat, including UNON, depicted a programme which was struggling to clarify its mission and deal with dwindling resources. His delegation was particularly concerned about the findings concerning the excessive use of consultants and the build-up of a top-heavy and inefficient secretariat.

AGENDA ITEM 112: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (continued) (A/49/98 and Corr.1 and Add.1 and 2, A/49/418, A/49/471 and Corr.1, A/49/633, A/50/16, A/51/124-E/1996/44, A/51/674 and A/51/686 and Add.1 and 2)

19. Mr. YUSSUF (United Republic of Tanzania), speaking on behalf of the Group of 77 and China, said that, in accordance with the provisions of General Assembly resolution 51/221, the role of intergovernmental machinery in the consideration of efficiency measures should be strengthened. In that connection, the Secretary-General should submit his proposals for improving the efficiency of the Secretariat in areas that had an impact on the programme budget and other mandates of the General Assembly. The Secretary-General should also submit to the resumed fifty-first session of the General Assembly his views regarding the role of the Office of Internal Oversight Services and the Office of Programme Planning, Budget and Accounts in enhancing the efficiency of the Secretariat. A systematic dialogue between the Secretariat and Member States on efficiency measures should be established. Updated information regarding the current structures or mechanisms in the Secretariat for dealing with efficiency should be provided to the current session of the Fifth Committee in order to assess efforts to prevent overlapping and duplication. The prerogatives of the General Assembly in the process of enhancing the efficiency of the Secretariat should be respected by the Secretary-General.

20. Any resolution adopted should include comprehensive proposals for strengthening all oversight mechanisms in accordance with General Assembly decision 47/454 and subsequent decisions and resolutions, in particular, resolution 48/218 B. The resolution to be adopted should provide for the strengthening of the Committee for Programme and Coordination (CPC) as an integral part of the budgetary process outlined in resolution 41/213. CPC should continue to be the main intergovernmental body responsible for planning, programming and coordination, as reaffirmed in General Assembly resolution 51/219. The Group of 77 and China would submit detailed proposals in that connection during the informal negotiations. The evaluation function of CPC should be strengthened in order to determine systematically the relevance, efficiency, effectiveness and impact of the Organization's activities in the light of their objectives. The coordination function of CPC should also be strengthened, in particular, with respect to system-wide plans of action in the context of the medium-term plan for the period 1998-2001. CPC should continue its in-depth review of the report of the Administrative Committee on Coordination (ACC), which was not considered by the Economic and Social Council. The report of ACC should be more substantive and action-oriented and provide

more information on the activities of its subsidiary machinery. CPC should also ensure the follow-up of the coordination segment of the Economic and Social Council.

21. The composition of the Board of Auditors should more closely reflect the composition of the General Assembly and integrate different accounting systems. The Board's investigatory role in cases of fraud and mismanagement should be strengthened.

22. The Group of 77 and China agreed with the comments of the Joint Inspection Unit (JIU) in document A/51/674 and urged concrete action to be taken. In particular, immediate action should be taken with a view to ensuring the operational and budgetary independence of JIU and the Secretary-General should report thereon to the Fifth Committee at the current part of the resumed session in accordance with the mandate contained in General Assembly resolution 50/214, section III, paragraph 65. The Group of 77 and China would submit more detailed proposals in that connection during the informal consultations.

23. The distinct and separate functions of the external and internal oversight mechanisms, as stressed in resolutions 48/218 A and B and 50/233, should be clearly reflected in the resolution to be adopted by the Committee. Much remained to be done in order to strengthen the complementary role of those mechanisms.

24. Ms. SILOT (Cuba) said that the budgetary procedure outlined in General Assembly resolution 41/213 had been aimed at ensuring the financial stability of the Organization. That, however, was proving to be extremely difficult in view of the financial blackmail by the main contributor despite the commitments it had undertaken under the final three preambular paragraphs of that resolution. The lack of reports on the implementation of the resolution had also had an adverse impact on efforts to strengthen the Organization's effectiveness in dealing with political, economic and social issues, as called for in the resolution's fifth preambular paragraph. Her delegation questioned whether the consideration of items allocated to the Fifth Committee by the High-level Working Group on the Strengthening of the United Nations represented a proper and efficient utilization of conference resources, particularly since it was imperative to avoid duplication. Pointing to the danger that the High-level Working Group could take decisions which were actually contrary to those adopted by the General Assembly, she proposed that all administrative and budgetary questions currently addressed by the High-level Working Group, including the review of the efficiency of the administrative and financial functioning of the United Nations and human resources management, should be considered by the Fifth Committee during the resumed fifty-first session.

25. The concern of many Member States at the establishment of the Efficiency Board and its actions had led to the adoption of the fourth, fifth and sixth preambular paragraphs and paragraphs 16, 17 and 18 of General Assembly resolution 51/221 B. At a press conference held on 13 February 1997 following the adoption of the resolution, the Secretary-General had announced a package of measures for the replacement of the Efficiency Board. Her delegation requested the Secretariat to provide information on the current status of the Efficiency Board; the measures currently being implemented involving change in the

budgetary levels adopted in the context of the budget for the biennium 1996-1997 and the legislative mandates adopted, inter alia, under the item on the pattern of conferences; those measures which had a negative impact on Member States, including, in particular, the effect of the reduction in the volume of documentation on services provided to Member States; how the Secretariat planned to include the Office of Internal Oversight Services and the Office of Programme Planning, Budget and Accounts in management reforms and in ensuring adequate programme delivery and efficiency; how the new system of accountability and responsibility would be integrated in the current audits carried out with a view to improving efficiency; measures which had been adopted with a view to ensuring greater transparency in the Secretariat's efforts to improve efficiency; and how the efforts being carried out in the Secretariat took into account the decisions taken by the General Assembly endorsing the report of the Group of High-level Intergovernmental Experts contained in resolution 41/213, including whether any action taken which was contrary to those decisions. Her delegation requested the Secretariat to prepare a conference room paper which briefly summarized the principal actions taken, their impact in budgetary terms and their potential effect on any of the decisions adopted by the General Assembly. The entire reform exercise must be completely transparent and must lead to increased dialogue between the Secretariat and the Member States, within the framework of the prerogatives and responsibilities of each, consistent with the provisions of the relevant General Assembly resolutions.

26. During the current session, attention should be focused on strengthening external oversight mechanisms, pursuant to General Assembly decision 47/454 and a number of resolutions, including resolution 48/218 B. Priority should be accorded to strengthening the role, working methods and functioning of the external oversight mechanisms and providing them with the necessary human and financial resources to that end. In its overall consideration of the external oversight mechanisms, the Committee must view CPC as the main intergovernmental body responsible for programming, planning and coordination and assign it greater responsibility for reviewing and adapting the medium-term plan, in particular in the light of the plan's new format. Her delegation hoped that specific recommendations would be proposed with the aim of enhancing the role of CPC in system-wide evaluation and coordination. The effectiveness of its working methods and decision-making mechanism should also be thoroughly reviewed. Many of its failures were merely a reflection of the positions and lack of political will of some of the Member States.

27. The membership of the Board of Auditors should be expanded to include all regional groups and different accounting systems. Additional financial resources should be allocated to the Board in order to increase its audit coverage. The Board's role with respect to the Office of Internal Oversight Services must be strengthened. The Board should supervise the activities of the Office, particularly in cases where mismanagement and fraud had been reported.

28. The General Assembly must take specific action with regard to the composition and selection of inspectors of the Joint Inspection Unit; the Unit's budgetary and operational independence; and the strengthening of its secretariat in the light of paragraph 65 of section III of resolution 50/214.

29. Mr. RIVA (Argentina) expressed support for the statement made on behalf of the Group of 77 and China. The Committee's review of the report of the Joint Inspection Unit on common services at United Nations Headquarters (A/51/686, annex) was particularly important at a time of financial stringency. His delegation appreciated the independent opinion given by the Joint Inspection Unit, which would be a valuable tool in improving the management and working methods of the United Nations. While it was desirable to reduce costs through effective coordination, and by avoiding duplication, the provision of common services and premises could prove to be difficult in reality, for bureaucratic reasons, among others.

30. His delegation agreed with the Inspectors that there was apparently no obstacle to pooling non-statutory or non-core functions at Headquarters; nor did his delegation object to doing so progressively, as proposed in the report. Naturally, any change should take into account the cost-effectiveness of each service and evaluate its competitiveness with outside suppliers. It was important for the Assembly to include the question of General Services in the programme of institutional reform currently under way and to allow common services to become a component of the new management culture in the Secretariat. As common services at Headquarters should provide more coherent and effective support to the substantive activities of the Organization, the JIU recommendations on policy guidance, an implementation plan and enhancing the system-wide role of common services were timely. They should be considered in the light of the particular circumstances of each service, its pros and cons, and its priority status.

31. Mr. MARRERO (United States of America) said that his delegation had listened with great interest to the statements made on behalf of the Group of 77 and China and by the representative of Cuba. A number of their ideas for strengthening the Organization's oversight mechanisms merited serious consideration and his delegation was prepared to participate in a constructive discussion of them. At a meeting of the Committee the week before, his delegation had made a proposal for the further strengthening of the Advisory Committee on Administrative and Budgetary Questions, including the question of its composition. That proposal should be addressed in the context of the discussions requested by the Group of 77. Accordingly, he hoped that informal discussions would be organized at the earliest possible date.

The meeting rose at 4.20 p.m.